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**BLOG**

# One Big Beautiful Bill: Changes for Employer-Provided Health and Welfare Benefits and Fringe Benefits

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The much-anticipated One Big Beautiful Bill Act (the OBBB) was signed into law on July 4, 2025. The comprehensive tax and spending legislation contains several changes affecting employer-provided health and welfare benefits. Most notably, the new law enhances health savings accounts (HSAs), dependent care flexible spending arrangements (FSAs), and employer-provided student loan payments. Also included are a few additional fringe benefit options.

## HEALTH SAVINGS ACCOUNTS (HSAS)

### Telehealth Safe Harbor

The OBBB permanently extends the telehealth safe harbor that was adopted during the COVID-19 pandemic. The safe harbor allows high-deductible health plans (HDHPs) to provide pre-deductible coverage for telehealth and other remote care services while permitting covered individuals to maintain HSA eligibility. The amendment has a retroactive effective date of December 31, 2024, which means that the relief extends back to the expiration date of the last telehealth safe harbor extension.

### Bronze and Catastrophic Plans

The OBBB amends the definition of an HDHP for HSA-purposes to include Bronze and Catastrophic level plans available on the individual Health Marketplace Exchange (Exchange) —even if they do not otherwise meet the definition of an HDHP. Beginning in 2026, individuals who enroll in Bronze or Catastrophic level plans through the individual market on the Exchange will be eligible to contribute to an HSA. The HSA contribution limits for calendar year 2026 are $4,400 for individuals with self-only coverage and $8,750 for individuals with family coverage.

### Direct Primary Care (DPC) Arrangements

The OBBB provides favorable HSA treatment for coverage under, and fees associated with, DPC Arrangements. This provision allows otherwise-HSA-eligible individuals enrolled in DPC Arrangements to make or receive HSA contributions and to use HSA funds to pay for certain DPC Arrangement services.  A DPC Arrangement is an arrangement which (i) provides medical care consisting solely of “primary care services” provided by “primary care practitioners” on a fixed periodic fee basis (fees are capped at $150 per month for an individual, or $300 for family (indexed annually for inflation)). The OBBB requires the care to be provided by Primary Care Practitioners as defined in section 1833(x)(2)(A) of the Social Security Act (without regard to clause (ii) of that section). Further, the OBBB specifies that primary care services do not include 1) procedures that require the use of general anesthesia, 2) prescription drugs other than vaccines, and 3) laboratory services not typically administered in an ambulatory primary care setting.

The OBBB also provides that fees paid for a DPC arrangement are qualified medical expenses (not insurance) and can be paid or reimbursed from an HSA. These amendments are effective for months beginning after December 31, 2025.

## FRINGE BENEFITS

### Dependent Care

Internal Revenue Code section 129 allows employees to exclude from income amounts received under an employer-provided dependent care assistance program (typically a dependent care FSA). The OBBB increases the maximum annual exclusion to $7,500 (or $3,750 for married couples filing separately)—and is not indexed for inflation. The increased exclusion is effective for tax years beginning after December 31, 2025.

### Employer-Provided Childcare Credit

Currently, the employer-provided childcare credit provides businesses with a nonrefundable tax credit of up to $150,000 per year on up to 25% of qualified childcare expenses provided to employees. In other words, an employer must spend at least $600,000 in a year on childcare-related expenses to receive the full credit. The OBBB permanently enhances the employer-provided childcare tax credit by raising the maximum credit from $150,000 to $500,000 (indexed for inflation) and increasing the percentage of childcare expenses covered from 25% to 40% of qualified expenses (e.g., amounts incurred in constructing a childcare facility or training childcare employees). To claim the full amount, a business must spend at least $1.25 million in a year on childcare services.

In addition, eligible small businesses benefit further, as the OBBB increases the maximum credit to $600,000 with a 50% credit rate, requiring $1.2 million in eligible spending in a year to receive the full credit. An eligible small business is one that meets the gross receipts test of less than or equal to $25 million (inflation adjusted) based on the 5-year period (rather than the 3-year period) preceding the taxable year. In 2025, the small business gross receipts threshold is $31 million.

The amendments to the employer-provided childcare credit are effective for amounts paid or incurred after December 31, 2025.

### Student Loan Payments

Internal Revenue Code section 127 allows employees to exclude from income amounts received under a qualified educational assistance program. The CARES Act added qualified student loan repayments to the list of eligible expenses that an employer could pay for or reimburse under a qualified educational assistance program. The 2021 Consolidated Appropriations Act extended the CARES Act amendment to such payments or reimbursements made before January 1, 2026.

The OBBB permanently extends the CARES Act amendment such that educational assistance plans can continue to make or reimburse qualified student loan repayments. The new law also indexes the maximum exclusion (currently $5,250) for inflation. This amendment is effective for payments and reimbursements made after December 31, 2025.

### Trump Accounts

The OBBB creates new tax-favored investment accounts (Trump Accounts) for children, which operate similar to a traditional IRA, effective for tax years beginning after December 31, 2025. Trump Accounts can be established for children under the age of 18 and allow a $5,000 per year contribution limit (indexed for inflation). Employers may make nontaxable contributions of up to $2,500 per year (indexed) to the accounts of their employees or their dependents. Employer contributions require a written plan document, and the program must comply with similar nondiscrimination rules that apply to dependent care FSAs.

**Bicycle Commuting Reimbursement**

For tax years beginning after December 31, 2025, the OBBB permanently eliminates the exclusions for employer-provided qualified bicycle commuting reimbursements. This exclusion was temporarily suspended by the Tax Cuts and Jobs Act for tax years 2018 through 2025. Employers that wish to provide bicycle commuting benefits may do so on a taxable basis.

**Paid Family and Medical Leave Tax Credit**

The OBBB permanently extends the federal paid family and medical leave employer tax credit that was set to expire at the end of 2025. The scope of the credit was also expanded.

**Moving Expenses**

For tax years beginning after December 31, 2025, the OBBB eliminates the deduction for moving expenses and the exclusion for employer-provided qualified moving expenses (except for certain members of the Armed Forces and the intelligence community). This deduction and exclusion were temporarily suspended by the Tax Cuts and Jobs Act for tax years 2018 through 2025. Employers must include any moving expense benefits in taxable wages, subject to income and employment taxes.

**Deduction for Business Meals**

Under current law, expenses of the employer associated with providing food or beverages to employees through an eating facility that meets the requirements for de minimis fringes and for the convenience of the employer are limited to a 50% deduction. Such amounts incurred and paid after December 31, 2025, are not deductible.

### WINSTON TAKEAWAYS

The changes discussed above provide additional flexibility and planning opportunities for employers offering health and welfare and fringe benefits. Employers should consider whether they wish to implement any changes in their 2026 benefit offerings in light of the enactment of the OBBB. Certain changes will require plan or policy amendments.

Winston will continue to monitor developments in these areas.

Please contact a member of the Winston & Strawn Employee Benefits and Executive Compensation Practice or your Winston relationship attorney for further information.
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